

City of San Diego
FY 2005-06 Tax Anticipation Notes

Term Sheet based on draft Note Purchase Agreement dated May 26, 2005

SECTION I. DESCRIPTION OF THE NOTE ISSUE:

Note Issuer: City of San Diego (the "City").

Notes: Fiscal Year 2005-06 Tax Anticipation Notes.

Underwriter: Bank of America, NA ("BofA").

Principal Amount of Notes: Not to exceed \$155,000,000 per the Note Purchase Agreement between the City and B of A (City Council Authorization for a not to exceed \$185 million).

Security: The Notes will be secured by a pledge of all legally available taxes, income, revenues, cash receipts, and other moneys of the City attributable to the City's 2005-06 fiscal year and chargeable to the City's General Fund.

Upon receipt, the City will transfer all property taxes, excluding those property taxes received pursuant to the "triple flip," received by the City in respect of the 2005-06 Fiscal Year into a "Segregation Account," from which moneys will be transferred into the 2005-06 Tax Anticipation Notes Set Aside Account (the "Set Aside Account") during specified set-aside periods in specified amounts. To the extent property tax revenues are insufficient to make the required set-aside payments, the City will be required to make such set-aside payments from any other legally available FY 2005-06 General Fund moneys.

Use of Proceeds: Note proceeds will be utilized to provide support for the City's cash flow needs. Draws will be made on an as-needed basis up to \$155 million if there is a cash flow deficit up to that amount.

Commitment Termination Date:

B of A's commitment to purchase the Notes shall terminate on June 30, 2006, unless on July 31, 2005 the City's Annual Appropriation Ordinance for Fiscal Year 2005-06 has not been adopted, in which case B of A's commitment shall expire on August 1, 2005. In the event B of A's commitment to purchase additional Notes terminate on August 1, 2005, it would not affect the maturity or other terms of any Note Portion(s) purchased by BofA prior to such date.

SECTION II. STRUCTURE OF TAX ANTICIPATION NOTES:

Final Maturity of Notes: June 30, 2006.

Interest Rate Modes: The City may issue one or more Note Portions, in an aggregate principal amount not to exceed \$155,000,000 per the Note Purchase Agreement. Each Note Portion may bear interest, at the City's option, at the tax-adjusted IBOR plus 70 basis points, or tax-adjusted LIBOR plus 70 basis points, or, the Base Rate (the greater of BofA's U.S. Prime Rate or the Federal Funds Rate plus 0.5% per annum. With respect to any LIBOR Note Portion, the City may elect an interest period of one, two, three or six months with 3 business days notice to BofA. With respect to any IBOR Note Portion, the City may elect an interest period of one, seven or fourteen days with 1 business days notice to BofA.

In the event the City does not deliver a notice to BofA then the interest rate will automatically convert to IBOR with a one-day Interest Period without further action by the City on the last day of the Interest Period.

Default Rate: Upon and during the continuance of an Event of Default, the then prevailing interest rate on any outstanding Notes would be increased by 200 basis points.

Events of Default: Events of Default by the City under the Note Purchase Agreement will include, among others: payment defaults, failure to meet set-aside requirements, untrue or incorrect representations, covenant defaults, cross defaults to certain other City General Fund obligations and indebtedness, defaults under material terms of the Resolution authorizing the Notes, and events of insolvency or bankruptcy (Different rate. See below).

Bankruptcy Event Rate: Upon the occurrence of certain insolvency and bankruptcy events, the interest rate on any outstanding Notes would be increased automatically and without notice by 250 basis points over the then prevailing interest rate and this rate would remain in effect until the Notes were repaid in full.

Maximum Interest Rate: 10% per annum.

Excess Interest: If the interest rate payable on the Notes exceeds the Maximum Rate of 10% or, if lower, any maximum interest rate payable by law, then such Excess Interest (the difference between the interest at the calculated rate and the allowable maximum rate) shall be deferred until the interest rate on the Notes ceases to exceed the maximum rate, at which time the City shall pay such portion of the deferred Excess Interest as will cause the interest rate to equal the maximum rate. Payments of deferred Excess Interest shall continue until the earlier of 1) the date all such amounts have been paid, or 2) June 30, 2006.

Calculation of Interest: Base Rate note portions shall be calculated on the basis of actual days elapsed and a year of 365 or 366 days (if based on the U.S. Prime Rate) or on the basis of actual days elapsed and a year of 360 days, if based on the Federal Funds Rate. All other calculations of interest shall be made on the basis of a 360-day year and actual days elapsed.

Commitment Fee: For the period from the Effective Date and June 30, 2006, or such earlier date on which the City terminates a portion of its unutilized commitment, the City will pay a fee of 20 basis points on the daily average unutilized commitment amount (\$155,000,000) less the aggregate principal amount of Note Portions previously purchased by BofA). The Commitment fee will be payable quarterly in arrears on the basis of a 365 day year actual days elapsed. The City may terminate the amount of the Unutilized Commitment in whole or part with five business days prior notice to BofA.

Underwriter Counsel Fees: The City will pay BofA's outside legal counsel fees associated with the negotiation, execution and delivery of the FY 2005-06 TANs, as well as certain other expenses of BofA up to a cap of \$50,000, including legal counsel fees, to monitor ongoing events affecting the City.

Prepayment of Notes: The City may prepay the Note, in whole or in part, without premium or penalty, upon three business days' notice to BofA.

Documentation: Documentation will include a Resolution, Accompanying Document, Tax Certificate, and Note Purchase Agreement between BofA and the City. *No disclosure document will be required as part of the transaction.*

City Representations: The City will provide certain representations to BofA regarding, among other things, the City's authority to enter into the Note and related documents, the City's compliance with its Charter and other laws and contracts, and the absence of litigation except as disclosed to BofA.

Underwriter Representations: BofA will represent to the City, among other things, that BofA is a sophisticated investor and has sufficient knowledge to evaluate the risks of the investment represented by the Note.

No Assignment or Transfer: BofA will not be permitted to assign or otherwise transfer any of its rights or obligations with respect to the FY 2005-06 TANs prior to maturity.

Term Sheet is based upon the Note Purchase Agreement and other documentation related to the FY 2005-06 TANs and provides a summary only of certain provisions of these documents, full copies of which have been included in the City Council authorization package and are subject to non material revisions prior to execution.